

**Illinois Department of Revenue
Regulations**

Title 86 Part 700 Section 700.500 Payment Application
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TITLE 86: REVENUE

**PART 700
UNIFORM PENALTY AND INTEREST ACT**

SUBPART E: PAYMENT APPLICATION

Section 700.500 Payment Application

- a) *Payments received from a taxpayer shall be applied against the outstanding liability of the taxpayer, or to an agreed portion of the outstanding portion of the outstanding liability, in the following order: the principal amount of the tax, then penalty, and then interest. (Section 3-9 of the Act)*
- b) A taxpayer may direct payment to a particular liability at the time payment is made to the Department. If a taxpayer has multiple liabilities to the Department, either based upon multiple taxes or multiple reporting periods, the taxpayer should identify the liability to which payment is to be directed.
- c) In the absence of direction from the taxpayer as to which of a taxpayer's outstanding liabilities payment is to be made, the Department will direct payments made by taxpayers to the oldest outstanding liability first, with payment directed first to the principal amount of the liability and any excess then directed to penalty and then to interest. If there remain funds after application of the payment to the oldest outstanding liability in the manner noted above, the remainder will be directed to the next oldest liability in the same manner.
- d) Section 2505-275 of the Department of Revenue Law of the Civil Administrative Code of Illinois provides that, *in the case of overpayment of any tax liability arising from an Act administered by the Department, the Department may credit the amount of the overpayment and any interest thereon against any final tax liability arising under that or any other Act administered by the Department. The Department may enter into agreements with the Secretary of the Treasury of the United States (or his or her delegate) to offset all or part of an overpayment of such a tax liability against any liability arising from a tax imposed under Title 26 of the United States Code. Section 2505-650 of the Department of Revenue Law provides that, upon certification of past due child support amounts from the Department of Healthcare and Family Services, the Department of Revenue may collect the delinquency in any manner authorized for the collection of any tax administered by the Department of Revenue. Section 2505-655 of the Department of Revenue Law provides that, upon certification by the Clerk of the Circuit Court of the amounts of delinquent court fees, the Department of Revenue may collect the past due fees by intercepting the tax refund of any person owing the fees. Section 10 of the Illinois State Collection Act of 1986 [30 ILCS 210/10] provides that the*

Department's Debt Collection Bureau *shall serve as the primary debt collecting entity for the State and in that role shall collect debts on behalf of agencies of the State, using all legal authority available to the Department to collect debt* referred to it by other agencies of this State. Section 911.2 of the Illinois Income Tax Act (IITA) [35 ILCS 5] provides that a tax officer of another state of the United States may request that the Department withhold payment of a refund claimed by a taxpayer under the IITA for application against a delinquent income tax liability owed by the taxpayer to that state. IITA Section 911.3 provides rules for determining in which order an overpayment will be applied when more than one of these provisions is applicable. Pursuant to these provisions:

- 1) In the case of an overpayment for which the taxpayer has requested a refund or credit, the Department may credit the overpayment against any final tax liability arising under any Act administered by the Department. The Department will apply any overpayment first to the oldest outstanding final liability arising under the same Act as the overpayment, with payment directed first to the principal amount of the liability and any excess then directed to penalty and then to interest, and shall apply any remaining amount of the overpayment to the next oldest final liability arising under the same Act as the overpayment in the same manner until all such liabilities are paid or the entire amount of the overpayment has been used.
- 2) Any amount of overpayment remaining after application of subsection (d)(1) shall then be applied first to the oldest unpaid final tax liability arising under any other Act, first to the liability, then to penalty, and then to interest, and then to the next oldest unpaid final tax liability in the same manner, until all such liabilities are paid or the entire amount of the overpayment has been used. For purposes of this subsection (d)(2), the determination of which liability is oldest shall be based upon the date on which payment of the liability was due without regard to due dates for accelerated or estimated payments.
- 3) Any amount of overpayment remaining after application of subsections (d)(1) and (2) shall be applied in the following order:
 - A) against any existing, applicable request to withhold a refund to collect certified past due child support amounts under Section 2505-650 of the Department of Revenue Law;
 - B) against any existing, applicable request to withhold a refund to collect any debt owed to the State;
 - C) against any existing, applicable request made by the Secretary of the Treasury of the United States, or his or her delegate, to withhold a refund to collect any tax liability arising from Title 26 of the United States Code;
 - D) against any existing, applicable refund withholding request made pursuant to IITA Section 911.2; and

- E) against any existing, applicable request to withhold a refund to collect certified past due fees owed to the Clerk of the Circuit Court as authorized under Section 2505-655 of the Department of Revenue Law.

(Source: Amended at 30 Ill. Reg. 10486, effective May 23, 2006)